



# THE FORTUNE 500 KLUB

## INVESTMENT MODEL AND GUIDELINES FOR F500K REAL ESTATES LTD

### APPROVED VERSION

#### 1. General description and shareholding

- 1.1. F500K Real Estates Ltd is a Special Purpose Investment Vehicle (SPIV) of Fortune 500 Klub.
- 1.2. The Company is jointly owned by the Fortune 500 Klub who shall hold an interest of not more than 70% and Fortune 500 Klub members who may own an interest of not more than 30% of the share capital of the Company.

#### 2. Eligibility for acquiring shares by persons other than Fortune 500 Klub

- 2.1. A person shall not be eligible to subscribe for shares in the Company unless such person:
  - 2.1.1. Is a member of Fortune 500 Klub in good standing at the time of seeking to subscribe for such shares or prior to the issuance of any share certificates to such a shareholder.
  - 2.1.2. Is able to make a Direct Investment Contribution (DIC) in the Company of not less than Uganda Shillings Ten Million Only (UGX10,000,000/=) at the time of first share subscription.
- 2.2. Upon meeting the pre-qualifications for shareholding in the Company as set out herein, an eligible person may subscribe for up to a maximum of 100 shares for the first UGX10,000,000 invested in the Company.
- 2.3. A person who is a shareholder in the Company may acquire more shares in addition to the first 100 shares acquired at the time of first subscription.
- 2.4. For every additional Pledged Investment Contribution of Uganda Shillings One hundred thousand shillings only (UGX100,000/=) above the minimum pre-qualification PIC requirement stipulated in 2.1.2 above, a person who is a

shareholder in the Company may exercise the option of subscribing for one extra share up to a maximum of five hundred shares.

2.5. For purposes of these guidelines, a person in good standing is a person who has no outstanding arrears on their Club investment portfolio account. Notwithstanding any representations in the Memorandum and Articles of Association of F500K Real Estates Ltd, the Company shall not issue out shares to a member whose account in the Klub is not in good standing.

### **3. Business to be in the form of projects**

3.1. F500K Real Estates Ltd is engaged in the business of real estate trading and other real estate related businesses as stipulated in the Company Memorandum and Articles of Association.

3.2. The Company shall raise financing in the form of Direct Investment Contributions (DICs) from shareholders or any other sources as the Directors may decide.

For purposes of DICs, every individual project shall be treated as a separate business and hence, save for the first investment of funds provided, a shareholder shall exercise the option of investing in the projects implemented by the company on a project-by-project basis.

3.3. Each investment project is treated as an independent business unit and any revenues or profit accruing therefrom is shared by the shareholders who invested in the project in accordance with the modalities described herein.

3.4. The Company shall maintain segregated financial reports and provide accurate and credible financial for each projects as appropriate.

### **4. All project acquisition costs to be internalized in the transaction to determine the Total Purchase Price of Projects.**

4.1. Upon closure of any investment project, the Company shall ensure full internalization of costs of the project to determine its Total Purchase Price (TPP).

4.2. Without prejudice to the generality of paragraph 4.1, the costs of the project to be internalized shall not exceed 15% of the purchase value and may include, but not limited to:

i) The purchase value of the project as stipulated in the purchase agreement.

- ii) Any commissions paid to any person during the process of acquisition of the project.
- iii) The cost of legal and advisory services during the process of acquisition and related transactions such as processing of land titles.
- iv) Statutory payments including applicable relevant taxes and any other costs related to the acquisition of the respective project.
- v) Fees paid for surveying, opening of boundaries, amalgamation, subdivisions, titling, and any such other costs related to the transfer of such land that is the subject matter of the project.
- vi) Critical value adding expenses such as extension of electricity and water, opening of roads, grading and fencing.
- vii) Any other such related or relevant costs as the Board of Directors may determine.

**5. Project Gross Revenues, Direct Investment Contributions and declaration of drawdowns.**

5.1. The Gross Project Revenues (GPR) whether projected or actual shall be comprised of the Total Direct Investment Contributions (TDICs) by shareholders plus the gains or loss upon the disposal of the project.

5.2. Upon the disposal or at any time during the course of disposal or transaction in relation to a project, the following expenses shall be deducted from the GPR in order to derive the Net Project Revenues (NPR):

- i) Direct commission payments on sales.
- ii) Direct legal and advisory services on sales.
- iii) Direct marketing expenses for the project.
- iv) Any other expenses directly related to the disposal of the project.

5.3. The following deductions shall be made from the NPR to arrive at the Project Distributable Funds (PDF) to be distributed among shareholders on a prorata basis taking into account their Direct Investment Contributions (DICs) on a pro rata basis.

5.3.1. Ten percent (10%) shall be retained by the company for company growth through investment in any projects and may be paid out to shareholders in the form of dividends per share.

- 5.3.2. Five percent (5%) shall be retained by the company to finance general company operations that are not direct costs to the project such as business strategy development, business scouting, financial management, audit expenses, staff salaries, among others.
- 5.3.3. Five percent (5%) shall be retained by the Company to cover the costs of Board operations including Board remuneration.
- 5.3.4. Eighty percent (80%) (also shall be distributed to the shareholders on a pro rata basis based on their respective Direct Investment Contributions in the respective Project.

## **6. Payout of shareholder Direct Investment Contributions and profits from projects**

- 6.1. Upon final disposal of a project or a declaration of drawdown payments by the company, a shareholder may apply, within a period of 14 days to withdraw the declared Total Project Portfolio Balance (TPPB) or the declared amount in case of a drawdown during an ongoing transaction on a project.
- 6.2. As a general rule, unless a shareholder applies to withdrawal the funds as set out in paragraph 6(6.1), within 14 calendar days, it shall be presumed that such a shareholder committed the funds to be reinvested on their behalf and such funds will be entered on the respective shareholders ledgers and reinvested in any subsequent projects.
- 6.3. The Company shall provide a standard form to be used in applying for accessing the declared funds.

## **7. Transferability of Interests**

- 7.1. Subject to the Memorandum and Articles of Association as any other applicable law, transfer of interests in any project from one shareholder to another is only allowed among the shareholders of the Company.
- 7.2. Members wishing to transfer all, or part of their interest in any project are to notify the Board in writing for purposes of information and action.
- 7.3. Upon receipt of appropriate documentation from the member wishing to transfer his or her DIC or part thereof, the Board shall expeditiously process the

application and advise the member and the intended beneficiary, in writing, of the action taken and the effective date for such a transfer whenever it is allowed.

7.4. Subject to the Memorandum and Articles of Association as any other applicable law, in the event of death of a shareholder, the Board may allow a transfer of a member's interests to the next of kin registered against such a member in the Fortune 500 Klub database, or to the administrator of the estate of such a shareholder upon presentation of valid letters of administration or the beneficiary of a valid will of a deceased shareholder.